

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION  
INDUSTRIAL DEVELOPMENT BONDS  
EMPOWERMENT ZONE BOND PROGRAM**

**Meeting Date: September 25, 2007**

***Request for Initial and Final Resolution for Tax Exempt Bond Approval  
Executive Summary***

Prepared by: *Deanna Hamelin*

<b>Issuer:</b>	Industrial Development Authority of the City of Santa Ana	<b>EZ Bond Amount.:</b>	\$2,000,000
<b>Borrower:</b>	Ingardia Bros. Produce, Inc.	<b>Application No.:</b>	07-0016
<b>User:</b>	Ingardia Bros. Produce, Inc.	<b>IR &amp; FR No.:</b>	07-0016
<b>Location:</b>	City of Santa Ana (Orange County)		

**Borrower/User/Background:** Ingardia Bros. Produce, Inc. (the “Company”) was incorporated on October 18, 1979 in California. The Company is a family-owned, wholesale distributor of a variety of fresh and frozen fruits, vegetables, seafood, dairy products, and other grocery products. It sells its products primarily to independent restaurant owners, schools, and hospitals, totaling approximately 1,500 customers. The Company currently operates a distribution facility in the City of Costa Mesa, but it is relocating to a site in the City of Santa Ana where it began the construction of a new, 62,423 square-foot distribution facility in November 2006.

**Project Information:** The City of Santa Ana Industrial Development Authority requests approval of \$2,000,000 in industrial development EZ bonds for Ingardia Bros. Produce Inc. Bond proceeds will be used for the acquisition and installation of equipment at the new Santa Ana facility. The equipment will be essential to the Company’s production and distribution business and will include forklifts, dock-leveling equipment, ice makers for seafood packing, coolers and reefers for produce, seafood, dairy and frozen foods, 33 computers and work stations, racking and telecommunications equipment.

**CDLAC:** The City of Santa Ana received a direct, federal \$130 million EZ Bond allocation to issue tax-exempt bonds in its Empowerment Zone of which \$104,894,000 is remaining<sup>1</sup>. Allocation from the State’s tax-exempt bond cap is not required for EZ Bond financing requests such as this one.

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<sup>1</sup> The following information was obtained from the City of Santa Ana: On January 13, 1999, the U. S. Department of Housing and Urban Development (HUD) designated a four-square-mile region of the City of Santa Ana as a Round II Urban Empowerment Zone. The Federal Empowerment Zone (FEZ) is a 10-year designation that provides federal funding and federal tax incentives to the Santa Ana FEZ community. Following the implementation plan submitted to HUD, the City of Santa Ana conveyed the governance of the Santa Ana Empowerment Zone to a non-profit corporation shortly following the designation. This organization is the Santa Ana Empowerment Corporation, which is lead by a 23-member board of directors. The Corporation holds monthly public meetings. Governed by a 23-member board of directors, this 501(c) (3) non-profit corporation's mission is to build a sustainable community and foster economic opportunities for all Empowerment Zone residents and businesses.

**Anticipated Timeline:** The acquisition and installation of equipment began in June 2007, and it is anticipated that it will be completed by November 2007.

**Prior Actions/Financing:** The Borrower has no outstanding tax-exempt financings.

**Local Government Support:** The Company provided a letter from Ms. Linda Summers, the Economic Development Manager of the Community Development Agency for the City of Santa Ana, which states that the City is in full support of the Project (see Attachment A).

**PUBLIC BENEFITS:**

EZ Bonds provide significant public benefits to distressed communities through requirements imposed upon the Borrowers (see Attachment B for the full list of Federal Eligibility Requirements). The most significant of these requirements is that at least 35% of the employees of the Borrower must be residents of the Empowerment Zone. The Internal Revenue Code and Treasury Regulations require that 35% must be EZ residents for at least eighteen months from the date the project is placed in service. In the event the ratio of EZ residents falls below 35%, the Borrower must use the best available resources to hire EZ residents and is allowed one year to come back into compliance with this requirement.

In addition to the public benefits associated with financing a project in a Federal Empowerment Zone, the Project provides other public benefits. For example, the Company represents that, with the relocation from Costa Mesa to Santa Ana, it will retain all current employees and will hire an additional 33 employees within two years of Project completion.

**RELOCATION OF COMPANY OPERATIONS:** The Company will be relocating from the City of Costa Mesa to the City of Santa Ana. The Company provided a letter from the Development Services Department of the City of Costa Mesa which acknowledges the relocation of the Company's facility to Santa Ana and verifies that the City of Costa Mesa does not object to the relocation (see Attachment C).

**QUALIFICATION OF BOND ISSUANCE:** Based upon the proposed financial structure, and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

**Status Of Permit/Other Required Approvals:**

- The Industrial Development Authority of the City of Santa Ana approved the inducement Resolution in an aggregate amount not to exceed \$2,075,000 for the Project on July 16, 2007.
- A TEFRA hearing was held by the City of Santa Ana on August 20, 2007, and no comments in support of or opposition to the Project were received.
- The Company provided verification from the City of Santa Ana that the project meets local land use and zoning requirements and that all construction permits are in place.

**Financing Details:** The tax-exempt Industrial Development Bonds (IDBs) will be issued on a private placement basis with GE Government Finance, Inc. The bonds will be fixed rate bonds, repayable over a seven-year period. The bonds will be secured by the collateral provided by the Borrower and will be backed by the personal guarantees of Joseph and Samuel Ingardia.

The Bonds will be issued in accordance with CIDFAC's private placement policy, which will have the following requirements:

- The bond purchaser must be a Sophisticated Investor as defined under SEC Rule 144A.
- The Sophisticated Investor must sign a "traveling" sophisticated investor letter outlining the requirement and restrictions, which will follow the deal in the event the bonds are sold or traded at a later date.
- The security of the private placement debt must be collateral provided by the Borrower.
- The bonds will be issued in minimum denominations of \$250,000.

**Financing team:**

**Issuer:** Industrial Development Authority of the City of Santa Ana  
**Bond Counsel:** Stradling, Yocca, Carlson & Rauth  
**Private Placement Bond Purchaser:** GE Government Finance, Inc.  
**Financial Advisor:** CSG Advisors Incorporated

**Legal Questionnaire:** Staff has reviewed the Borrower's/User's responses to the questions contained in the Legal Status portion of the Application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the applicants.

**Recommendation:** Staff recommends approval of Initial and Final Resolution No. 07-0016 in an amount not to exceed \$2,000,000 of tax-exempt bonds for Ingardia Produce, Inc., which is contingent upon staff analysis and approval of final bond documents, including receipt of bond counsel opinions and CDLAC allocation approval as set forth in the Initial and Final Resolution.

**INGARDIA BROS. PRODUCE, INC.**

**Bond Amount: \$2,000,000**

City of Santa Ana (Orange County)

Application No. 07-0016

September 25, 2007

**STAFF SUMMARY – CIDFAC (EZB)**

**Prepared by:** *Deanna Hamelin*

**ISSUE:** On behalf of Ingardia Bros. Produce, Inc. (the “Borrower”), the Industrial Development Authority of Santa Ana (the “Issuer”) requests approval of Initial Resolution No. 07-0016 for an amount up to \$2,000,000 in tax-exempt bonds Empowerment Zone (EZ) Bonds. Bond proceeds will be used to finance the acquisition and installation of various types of equipment essential to the Company’s distributing operations.

**CDLAC:** The City of Santa Ana received a direct, federal \$130 million EZ Bond allocation to issue tax-exempt bonds in its Empowerment Zone of which \$104,894,000 is remaining<sup>2</sup>. Allocation from the State’s tax-exempt bond cap is not required for EZ Bond financing requests such as this one.

**TEFRA:** A TEFRA hearing was held by the City of Santa Ana on August 20, 2007, and no comments in support of or opposition to the Project were received.

**BORROWER/USER:**

Ingardia Bros. Produce, Inc. (the “Company”) was incorporated on October 18, 1979 in California. The Company is a family-owned, wholesale distributor of a variety of fresh and frozen fruits, vegetables, seafood, dairy products, and other grocery products. It sells its products primarily to independent restaurant owners, schools, and hospitals, totaling approximately 1,500 customers. The Company currently operates a distribution facility in the City of Costa Mesa, but it is relocating to a site in the City of Santa Ana where it began the construction of a new, 62,423 square-foot distribution facility in November 2006.

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<sup>2</sup> The following information was obtained from the City of Santa Ana: On January 13, 1999, the U. S. Department of Housing and Urban Development (HUD) designated a four-square-mile region of the City of Santa Ana as a Round II Urban Empowerment Zone. The Federal Empowerment Zone (FEZ) is a 10-year designation that provides federal funding and federal tax incentives to the Santa Ana FEZ community. Following the implementation plan submitted to HUD, the City of Santa Ana conveyed the governance of the Santa Ana Empowerment Zone to a non-profit corporation shortly following the designation. This organization is the Santa Ana Empowerment Corporation, which is lead by a 23-member board of directors. The Corporation holds monthly public meetings. Governed by a 23-member board of directors, this 501(c) (3) non-profit corporation's mission is to build a sustainable community and foster economic opportunities for all Empowerment Zone residents and businesses.

The principal stockholders of the Company are as follows:

Joseph C. Ingardia.....	50%
Samuel P. Ingardia.....	<u>50%</u>
<b>Total: .....</b>	<b><u>100%</u></b>

**Legal Questionnaire.** Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

**Prior Actions and Financings.** The Borrower has no outstanding tax-exempt financings.

**LOCAL GOVERNMENT SUPPORT:**

The Company provided a letter from Ms. Linda Summers, the Economic Development Manager of the Community Development Agency for the City of Santa Ana, which states that the City is in full support of the Project (see Attachment A).

**PROJECT INFORMATION:**

The City of Santa Ana Industrial Development Authority requests approval of \$2,000,000 in industrial development EZ bonds for Ingardia Bros. Produce Inc. Bond proceeds will be used for the acquisition and installation of equipment at the new Santa Ana facility. The equipment will be essential to the Company’s production and distribution business and will include forklifts, dock-leveling equipment, ice makers for seafood packing, coolers and reefers for produce, seafood, dairy and frozen foods, 33 computers and work stations, racking and telecommunications equipment.

**Anticipated Timeline.** The acquisition and installation of equipment began in June 2007, and it is anticipated that it will be completed by November 2007.

**Status of Permit/Other Required Approvals:**

- The Industrial Development Authority of the City of Santa Ana approved the inducement Resolution in an aggregate amount not to exceed \$2,075,000 for the Project on July 16, 2007.
- A TEFRA hearing was held by the City of Santa Ana on August 20, 2007, and no comments in support of or opposition to the Project were received.
- The Company provided verification from the City of Santa Ana that the project meets local land use and zoning requirements and that all construction permits are in place.

**PUBLIC BENEFITS:** EZ Bonds provide significant public benefits to distressed communities through requirements imposed upon the Borrowers (see Attachment B for the full list of Federal Eligibility Requirements). The most significant of these requirements is that at least 35% of the employees of the Borrower must be residents of the Empowerment Zone. The Internal Revenue Code and Treasury Regulations require that 35% must be EZ residents for at least eighteen months from the date the project is placed in service. In the event the ratio of EZ residents falls below 35%, the Borrower must use the best available resources to hire EZ residents and is allowed one year to come back into compliance with this requirement.

Below is a list of additional public benefits derived from this particular project.

**Job Creation:** With the relocation from Costa Mesa to Santa Ana, the Company will retain its current workforce and anticipates creating an additional 33 positions, which will include three management positions and 30 unskilled positions, within two years of the completion of the Project.

**Health Care Benefits:** The Company represents that it contributes to the medical insurance plans for 115 of its 150 employees and their families. The Company represents that all employees are eligible for health coverage. The 35 employees who are not participating in the Company's health plan opted out for personal reasons.

**Public Transit Corridor:** The Company provided verification that the Project is located within a Public Transit Corridor. The Orange County Transit route 59 is within 0.2 miles of the Project site.

**RELOCATION OF COMPANY OPERATIONS:** The Company will be relocating from the City of Costa Mesa to the City of Santa Ana. The Company provided a letter from the Development Services Department of the City of Costa Mesa which acknowledges the relocation of the Company's facility to Santa Ana and verifies that the City of Costa Mesa does not object to the relocation (see Attachment C).

**QUALIFICATION OF BOND ISSUANCE:** Based upon the proposed financial structure, and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

**FINANCING DETAILS:**

The tax-exempt Industrial Development Bonds (IDBs) will be issued on a private placement basis with GE Government Finance, Inc. The bonds will be fixed rate bonds, repayable over a seven year period. The bonds will be secured by the collateral provided by the Borrower and will be backed by the personal guarantees of Joseph and Samuel Ingardia.

The Bonds will be issued in accordance with CIDFAC's private placement policy, which will have the following requirements:

- The bond purchaser must be a Sophisticated Investor as defined under SEC Rule 144A.
- The Sophisticated Investor must sign a "traveling" sophisticated investor letter outlining the requirement and restrictions, which will follow the deal in the event the bonds are sold or traded at a later date.
- The security of the private placement debt must be collateral provided by the Borrower.
- The bonds will be issued in minimum denominations of \$250,000.

**FINANCING TEAM:**

**Issuer:** Industrial Development Authority of the City of Santa Ana  
**Bond Counsel:** Stradling, Yocca, Carlson & Rauth  
**Private Placement Bond Purchaser:** GE Government Finance, Inc.  
**Financial Advisor:** CSG Advisors Incorporated

**RECOMMENDATION:**

Staff recommends approval of Initial and Final Resolution Nos. 07-0016 in an amount not to exceed \$2,000,000 of tax-exempt bonds for Ingardia Produce, Inc., which is contingent upon staff analysis and approval of final bond documents, including receipt of bond counsel opinions and CDLAC allocation approval as set forth in the Initial and Final Resolution.

INITIAL AND FINAL RESOLUTION  
OF THE  
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING  
ADVISORY COMMISSION (CIDFAC)  
TAX-EXEMPT EMPOWERMENT ZONE (EZ) BONDS  
IR/FR No.: 07-0016

WHEREAS, the Industrial Development Authority of the City of Santa Ana (the “Authority”) has transmitted the application of Ingardia Bros. Produce, Inc., (the “Applicant”) for the issuance of \$2,000,000 of tax exempt bonds under the provisions of the California Industrial Development Financing Act, and has informed the California Industrial Development Financing Advisory Commission (the “Commission”) that it has adopted a resolution declaring its intention to issue such bonds and that the City of Santa Ana has held a public hearing regarding the issuance of the bonds and has approved the issuance of the bonds by the Authority; and

WHEREAS, the Commission has reviewed the application and the materials submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits from the acquisition of the facility described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the estimated principal amount of \$2,000,000; and

(b) use of the Project described in the application and the operation of the facility described in the application is reasonably necessary to prevent the relocation of



substantial operations of the Applicant from an area within the State of California to an area outside of the State of California.

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will apparently be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) that the final legal documents, when ready for execution, be submitted for review by Commission staff. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Escrow Agreement,
- (iii) Opinion of Bond Counsel,
- (iv) Bond Resolution, and
- (v) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;

**Agenda Item – 4.A.1.**

(b) that the Commission staff determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which the findings under Section 2. above are based;

(c) that the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);

(d) that the Commission receive all applicable fees prior to the issuance of the bonds or that bond documents indicate that such fees are to be paid from the proceeds of the bonds; and

(e) that the Applicant has agreed to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.

Attachment A

MAYOR  
Miguel A. Pulido  
MAYOR PRO TEM  
Claudia C. Alvarez  
COUNCILMEMBERS  
P. David Benavides  
Carlos Bustamante  
Michele Martinez  
Vincent F. Sarmiento  
Sal Tinajero



CITY MANAGER  
David N. Ream  
CITY ATTORNEY  
Joseph W. Fletcher  
CLERK OF THE COUNCIL  
Patricia E. Healy

CITY OF SANTA ANA

COMMUNITY DEVELOPMENT AGENCY  
20 CIVIC CENTER PLAZA M-25 • P.O. BOX 1988  
SANTA ANA, CALIFORNIA 92702

September 4, 2007

Ms. Eileen Marxen  
Deputy Executive Director  
California Industrial Developing Financing Advisory Commission (CIDFAC)  
Industrial Development Bond-Small Business Program  
915 Capital Mall, Room 457  
Sacramento, California 95814

SUBJECT: INGARDIA BROTHERS CIDFAC APPLICATION

Dear Ms. Marxen:

Please accept this letter as a statement of the City of Santa Ana's full support of the Ingardia Brothers CIDFAC Application. In addition to the application of the 35% rule for these types of projects, several new job opportunities will be created for the residents of the designated Federal Empowerment Zone in Santa Ana. This will help enhance and promote the City's quality of life for its residents.

Ingardia Brothers currently employs 150 people, and intends to add more employees in the next 12 months. Ingardia Brothers has already shown their commitment to the City by investing approximately \$8,000,000 in a state-of-the art new food distribution facility and surrounding infrastructure for their project.

Should you have any questions regarding this letter, please contact Deborah Sanchez at 714/647-6548 or César Cedeño at 714/647-6507.

Sincerely,

A handwritten signature in black ink that reads "Linda A. Summers". The signature is fluid and cursive.

Linda A. Summers  
Economic Development Manager

LS/cc

ED/Admin/Ltrs

## Attachment B

THE CALIFORNIA INDUSTRIAL DEVELOPMENT  
FINANCING ADVISORY COMMISSION (CIDFAC)  
INDUSTRIAL DEVELOPMENT BOND – EMPOWERMENT ZONE BOND PROGRAM (EZB)

### **Part I: Empowerment Zone Bond Program (EZB) Minimum Requirements**

This program applies to manufacturers, retailers and any service that operates in an “empowerment zone”, as designated in Title 26, United States Code, section 1391, subdivision (g). A Program Sponsor (Borrower) requesting Application approval and the project sought to be financed must meet the requirements for an “empowerment zone facility bond” as that term is used in Title 26 United States Code, section 1394, which include the following Minimum Requirements:

- At least 35% of the employees of an Empowerment Zone business (“EZ Business”) must be residents of the Empowerment Zone.
- At least 50% of the total gross income of an EZ Business must be derived from the active conduct of such business.
- 85% of the use of the tangible property of an EZ Business (whether owned or leased) must be used in active conduct of such business.
- 85% of the intangible property of an EZ Business must be used in active conduct of such business
- 85% of the services performed for an EZ Business by its employees must be performed in the Empowerment Zone.
- Less than 5% of the aggregate unadjusted bases of the property of an EZ Business must be attributable to collectibles.
- Less than 5% of the average of the aggregate unadjusted bases of the property of an EZ Business must be attributable to debt, stock, partnership interest, options, warrants or other similar property specified in the Internal Revenue Code or the regulations.
- The EZ Business must finance property that qualifies as “Qualified Zone Property”. Qualified Zone Property generally consists of a capital asset to which the straightline depreciation method applies and to which the original use begins with the EZ Business.
- The Borrower must provide documentation of the applicable discretionary use permits and approvals from federal, state or local planning agencies for the proposed project at the time of Application.

Attachment C

09/10/2007 15:40 FAX 7147544856

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**CITY OF COSTA MESA**

P.O. BOX 1200 • 77 FAIR DRIVE • CALIFORNIA 92626-1200

DEVELOPMENT SERVICES DEPARTMENT

September 10, 2007

California Industrial Development Financing Advisory Commission  
915 Capitol Mall, Room 470  
Sacramento, CA 95814

**SUBJECT: INGARDIA BROTHERS PRODUCE RELOCATION  
FROM COSTA MESA TO SANTA ANA**

To whom it may concern:

The City of Costa Mesa understands that Ingardia Brothers Produce, currently located in Costa Mesa, CA will be relocating its operations to a new facility in the City of Santa Ana. In addition, the City of Costa Mesa understands that the IDA of the City of Santa Ana, on behalf of Ingardia Brothers Produce, will apply to the California Industrial Development Financing Advisory Commission for approval relating to the issuance of empowerment zone facility revenue bonds to finance the cost of equipping the new facility.

This letter is to verify that the City of Costa Mesa has no objection to Ingardia Brothers Produce's relocation.

Sincerely yours,

R. MICHAEL ROBINSON, AICP  
Asst. Development Services Director